

PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Milwaukee Water Works, Milwaukee County, Wisconsin,
Authority to Increase Water Rates

3720-WR-108

PREHEARING CONFERENCE MEMORANDUM

This memorandum orders the following consistent with the prehearing conference held on, Tuesday April 30, 2014, and pursuant to Wis. Admin. Code § PSC 2.04(1):

I. PARTIES:**A. Applicant:**

1. Milwaukee Water Works

B. Intervenor:

1. Brown Deer Water Public Utility
2. Clean Wisconsin
3. Citizens Utility Board
4. Village of Greendale Water Utility
5. New Berlin Water Utility
6. Village of Menomonee Falls Water Utility
7. Mequon Municipal Water Utility
8. MillerCoors LLC
9. Shorewood Municipal Water Utility
10. Butler Public Water Utility
11. Wauwatosa Water Utility
12. West Allis Municipal Water Utility

II. ISSUES:

- A. Should the Commission grant in whole or in part the Applicant's request for water rate increases, and if so, under what terms and conditions?
 1. What is the Applicant's revenue requirement for the 2014 test year?
 2. What is the cost of service for water service as it relates to the various customer classes, including public fire protection?
 3. What is the appropriate rate design, including tariff provisions, for the various customer classes?
- B. The scope of the issues listed above include, as relevant, evidence necessary to consider whether to:
 1. Order an Economic Development Rate (EDR), and if so, under what terms and conditions.

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2. Find reasonable the estimated test year Payment in Lieu of Taxes (PILOT) given the applicable statute and code.
3. Find reasonable the level of water main replacement in the test year.
4. Find reasonable the proposed future main replacement schedule and whether it is adequately financed.
5. Find reasonable the number of meters to be replaced in the test year.
6. Find reasonable the reduction in the number of accounts with more than three consecutive estimates in the test year and whether it constitutes reasonable progress on the multiple estimates project.

III.SCHEDULE:

- | | |
|-----------------------------------------|------------------------------------------------|
| • Wednesday, June, 4, 2014 at 4:00 pm | Direct testimony and exhibits |
| • Friday, June, 13, 2014 at 4:00 pm | Rebuttal testimony and exhibits |
| • Friday, June, 20, 2014 at 4:00 pm | Surrebuttal testimony and exhibits |
| • Monday, June 23, 2014 at 12 noon | Prehearing testimony and exhibit errata |
| • Wednesday, June, 25, 2014 at 10:00 am | Party Hearing Session – Milwaukee |
| • Wednesday, June, 25, 2014 at TBD | Public Hearing Session – Milwaukee |
| • Wednesday, July 9, 2014 at 12 noon | Initial Brief |
| • Monday, July 21, 2014 at 12 noon | Reply Brief |
| • Wednesday, July 30, 2014 | Commission staff issue Decision Matrix outline |
| • Wednesday, August 13, 2014 at 12 noon | Party add positions to Decision Matrix outline |
| • Thursday, August 14, 2014 | Commission staff issue Draft Decision Matrix |
| • Tuesday, August 19, 2014 at 12 noon | Party comments on Draft Decision Matrix* |
| • Friday, August 22, 2014 | Commission staff issues Final Decision Matrix |

*Given the relatively new application of the Decision Matrix process in a complex water rate case, the parties will have an additional opportunity to review comments.

IV. OTHER FACILITATING MATTERS:

A. Filing and Service

1. Procedure

- a. The assigned Commission staff attorney is the first point of Commission contact for a party on any procedural matter related to the docket.
- b. File by ERF. If ERF does not accept a document, serve the document and contact the Commission's Records Management Unit at (608) 261-8521, for assistance.
- c. When filing:
 - i. Match a filing with the best available ERF "Document Type."
 - ii. Use the naming convention for testimony and exhibits for the "Description" of the filing. See Prehearing Conference Memorandum §§ IV. D. 1 (a) and (c), but include no testimony page number.

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- d. File a redacted public version of every document filed under a request for confidential handling. *See* Prehearing Conference Memorandum § IV. C. and Wis. Admin. Code § 2.12(4).
 - i. File the redacted public version document:
 - 1. At the same time as the filing of the confidential version, use the “Redacted Document” section of the “Confidentiality Request Form.” or
 - 2. After the filing of the confidential version, use the “Upload Redacted Document” form to upload such a document.
- e. Filing constitutes certification of service. *See* Wis. Admin. Code § PSC 2.06(3)(a).
- f. Serve all filings by e-mail. But, if size, format, or the protection from public release of information filed under request for confidential handling prevents e-mail service, serve by physical delivery on a standard optical disc storage media.
- g. Parties and Commission staff shall inform each other of any e-mail address and one physical address to which the requirements of service shall apply.
- h. Serve the Commission docket coordinator any, but, unless otherwise required, file no party to all-party correspondence.
- i. Party requests to the Administrative Law Judge sent by e-mail shall receive no response. Send no e-mails to the Administrative Law Judge, except in accordance with Prehearing Conference Memorandum § IV. B. 8.
- j. In computing any period of time that follows service by a party or Commission staff, the day of e-mailing is the day of mailing. *See* Wis. Admin. Code § PSC 2.05(2). This applies regardless of any dated signature or ERF filing date stamp.

2. Discovery

- a. File any response to a party discovery request or Commission staff data request as information becomes available.
- b. Notify a requester of the intent to answer a discovery request or data request solely by objection, or by objection and partial-response, notwithstanding the objection, within 3 days after service of the request. For any request made in response to rebuttal testimony, serve the notice 2 days after service of the request. For any request made in response to surrebuttal testimony, serve the notice within 1 day after service of the request.
- c. Serve any, but file no, party discovery requests or notices to object, with the Commission staff docket coordinator.
- d. File a request for protective order to a discovery request or data request. File any response by 12 noon, 3 days after the filing of the request and any reply by 12 noon 2 days after the filing of the response.
- e. File any request to compel a response to a discovery request or data request. File the request by 12 noon, 3 days after receipt of a notice to answer solely by objection. File the request by 12 noon, 3 days after receipt of an answer by objection and partial response, notwithstanding the objection. File any response

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by 12 noon, 3 days after the filing of the request and any reply by 12 noon, 2 days after filing of the response.

3. Other Requests

- a.** File any request for intervention under Wis. Admin. Code § PSC 2.21(4). File any response by 12 noon, 3 days after the filing of the request and any reply by 12 noon, 2 days after the filing of the response.
- b.** Unless made at hearing, file any request to waive or modify the application of this order in particular circumstances for good cause. File any response by 12 noon, 3 days after the filing of the request and any reply by 12 noon, 2 days after the filing of the response.
- c.** File any request for interlocutory review under Wis. Admin. Code § PSC 2.27. File any response by 12 noon, 3 days after the filing of the request and any reply by 12 noon, 2 days after the filing of the response.
- d.** File any request for leave to file a non-party brief. File any response by 12 noon, 3 days after the filing of the request and any reply by 12 noon, 2 days after the filing of the response.

4. Prehearing Testimony and Exhibits

- a.** File any prehearing testimony and exhibits indicated in the above schedule by the deadline assigned.
- b.** The Commission shall receive no files for the record other than files in Portable Document Format. For more information contact the Commission's Records Management Unit at (608) 261-8521.
- c.** To offer as an exhibit an entire document already filed on ERF in this docket, file only a letter that identifies the document by PSC REF # and the exhibit number requested. Limit one exhibit number to one existing filing. File the letter under the "Prehearing/Prefiled Exhibit/Testimony" document type. File all such requests in one letter for each round of testimony.
- d.** Offer the docket application for the record through a request to the Commission docket coordinator that identifies all documents that make up the application that already appears on ERF in the docket. File the request no later than one week prior to the first deadline to file prehearing testimony.
- e.** When only part of a document relates to the purpose of the filer, file only the first page of the document and the relevant portion of the document.
- f.** Only offer testimony from a prior docket in the form of an exhibit, and only excerpted from an official transcript.
- g.** File any objection to prehearing testimony and exhibits by the deadline of the next round of filing. File any response by 12 noon, 3 days after the filing of the objection and any reply by 12 noon, 2 days after filing of the response. This paragraph does not apply to the last round of prehearing testimony and exhibits. *See Prehearing Conference Memorandum § IV. E. 1(c).*
- h.** File the volume of written testimony for any witness being compelled to appear, and corresponding exhibits, by the deadline to file rebuttal testimony.

- i.** File all corrections to prehearing testimony and exhibits by one day prior to the party hearing session. Timely filed corrections require no request or pre-approval from the Administrative Law Judge, but such corrections are subject to objection at hearing.
 - i.** For testimony, file an errata sheet that indicates the location of each correction by page and line number.
 - ii.** For an exhibit, file a complete replacement version.

5. Post Hearing

- a.** File any document not filed prior to the party hearing session but offered at the party hearing session by 12 noon, 3 days after the last day of the party hearing session.
- b.** File documentary evidence not previously filed but identified at the party hearing session and for which offer into the record is delayed until after the party hearing session, by 12 noon, 3 days after the last day of the party hearing session, unless a different filing date is set at the hearing.
- c.** File the affidavit of any witness attesting to the truthfulness and accuracy of that witness's written testimony and exhibits offered into the record in the absence of a live oath or affirmation by 12 noon, 3 days after the hearing.
- d.** File any objection to or request to offer rebuttal or countervailing evidence for:
 - i.** Any evidence offered by a member of the public, by 12 noon, 2 days after service of the transcript of the public hearing session. File any response by 12 noon, 3 days after the filing of the objection and any reply by 12 noon, 2 days after filing of the response.
 - ii.** Any documentary evidence not previously filed but identified at the party hearing session and for which offer into the record is delayed until after the party hearing session, by 12 noon, 3 days after the date of filing. File any response by 12 noon, 3 days after the filing of the objection and any reply by 12 noon, 2 days after filing of the response.
- e.** To preserve any corrections to written testimony made by errata or at the hearing, or to an exhibit made at the hearing, file a complete replacement version, by 12 noon, 3 days after the last day of the party hearing session.
- f.** Offer corrections to a hearing transcript as follows:
 - i.** By the established transcript turnaround time, the court reporter shall serve the draft transcript.
 - ii.** File any proposed corrections to the draft transcript in the form of an errata sheet, by 12 noon, 3 days after receipt of the draft transcript.
 - iii.** File any objection to a proposed transcript correction by 12 noon, 2 days after the filing of the proposed correction.
 - iv.** Any timely filed objection shall stand unless overruled by the presiding Administrative Law Judge within 3 days after filing of the objection.
 - v.** Commission staff shall serve, and e-mail to the court reporter, all corrections timely filed, unopposed and allowed over objection.

- vi. The court reporter shall create the official version of the transcript by making the corrections provided by Commission staff. The court reporter shall serve the official transcript to Commission staff only.
- vii. Commission staff shall file the official transcript and send to parties, by certified mail, the official version any *in-camera* hearing transcript.
- h. File any request for leave to present additional evidence [See Wis. Stat. § 227.45(2)] or request to take official notice under Wis. Stat. § 227.45(3). Verify any exhibits offered after the hearing by affidavit. File any response by 12 noon, 3 days after the filing of the request and any reply by 12 noon, 2 days after the filing of the response.
- i. File any response to a notice by the Commission of its desire to avail itself of any evidence in its possession under Wis. Stat. § 227.45(2), by 12 noon, 3 days after the notice issues. File any reply by 12 noon, 2 days after the filing of the response.
- j. File any request for rehearing or reopening under Wis. Stat. §§ 196.39 or 227.49. File any response by 12 noon, 5 days after the filing of the request. The Commission shall accept no reply from the requester.

6. Paper Copies

- a. Within 5 calendar days after any filed document identified below appears on ERF, a party shall provide to the Commission Records Management Unit:
 - i. 3 collated paper sets of its exhibits with corresponding divider tabs.
 - ii. 3 divider tabs for every piece of its prehearing testimony.
 - iii. 3 collated paper sets of the entire filing of any piece of its prehearing testimony that contains any page rendered in color collated together with the required corresponding divider tabs.
 - iv. For any filing made under a request for confidential handling, only submit on paper, the confidential version of the filing. Do not submit a paper copy of the redacted version of the filing.
- b. Format the paper copies reference above according to Prehearing Conference Memorandum § IV. D.2.

B. Hearing Preparation

- 1. The scope of written testimony is narrowed with each round of filing such that it addresses only the testimony filed in the previous round. Exceptions shall be considered taking into account the accelerated filing schedule.
- 2. Unless a witness retracts a position stated in prior testimony, that position is retained. To avoid unduly repetitive testimony, if restating a position stated in prior testimony is necessary, instead of providing that position again, incorporate the prior statement by reference.
- 3. No evidence shall enter the record solely by citation to an Internet hyperlink or PSC REF #.

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4. Any party who compels a witness to appear at hearing shall create a volume of written testimony for that witness in the form of either a deposition or interrogatory. This requirement shall not apply if the party receives consent of the other parties and Commission staff prior to the deadline to file such testimony.
All testimony of party officers and employees shall appear as pre-hearing written testimony.
5. The applicant shall make an adequate number of personnel with knowledge of the issues in this docket available at each public hearing session to answer questions from members of the public.
6. Attempt to obtain consent under Wis. Stat. § 807.13, in sufficient time to plan an in-person witness appearance, if necessary.
7. Contact parties, Commission staff and the Administrative Law Judge by 12 noon, 1 day prior to the first day of the party hearing session to:
 - a. Request to take a witness at a specific prearranged time.
 - b. Identify the witnesses that a party or Commission staff intends to cross-examine.
This does not waive the right to cross-examine other witnesses.
 - c. Identify any need to conduct a portion of the hearing *in camera*.
 - d. Identify any witness appearing by telephone. *See* Prehearing Conference Memorandum § IV. E. 4.
 - e. Request the scheduling of additional hearing time.

C. Confidentiality

1. Wis. Admin. Code § PSC 2.12 already protects from public disclosure any record filed with the Commission under a request for confidential handling that meets the requirements of that section. Such protection renders unnecessary other protective measures available from the Administrative Law Judge to prevent public disclosure of a trade secret, or other confidential research, development, or commercial information filed in this docket unless and until a party demonstrates a specific and credible threat of disclosure.
2. The Commission shall hear *in camera* any oral testimony and cross-examination to which a claim that confidential handling under Wis. Admin. Code § PSC 2.12 should apply and place such testimony in a separate transcript volume. To maintain this claim, the claimant shall file a request as described in Wis. Admin. Code § PSC 2.12(3)(a) along with a redacted copy of the volume consistent with Wis. Admin. Code § PSC 2.12(4) by 12 noon, 5 days after issuance of the official volume by certified mail from Commission Staff. *See* Prehearing Conference Memorandum § IV. A. 5 (f) vii. The claimant shall omit from the original volume any affirmation of the veracity of that volume from the court reporter. The redacted volume exists only for Commission staff to evaluate the claim and for public convenience. The redacted volume provides no authoritative record of the proceedings. In the case of any discrepancy between the original volume and the redacted volume, the original volume shall control.

3. The Commission shall afford to any transcript volume receiving confidential handling under Wis. Admin. Code § PSC 2.12 the same handling and retention process and procedure that applies to all other documents which the Commission grants confidential handling.

D. Format Requirements

1. Prehearing Testimony and Exhibits

- a. Paginate every page of prehearing testimony, centered at the bottom, and according to the following convention:
 - “[identify the round of testimony]-[identify the party]-[identify the witness]-[page #]”
 - “Direct-PSC-Smith-1”
- b. Page numbers for each filing shall begin at “1” and continue in numerical order for that filing.
- c. Mark every exhibit using a cover page centered at the bottom, and according to the following convention:
 - Ex.-[identify the party]-[identify the witness]-[exhibit #]”
 - “Ex.-PSC-Smith-1”
- d. Exhibit numbers for each witness shall begin at “1” and continue in numerical order for that witness.
- e. Shade (use no color highlighting) any specific text filed under request for confidential handling treatment as follows:
 - Public Version:
“The cost was [REDACTED]”
 - Confidential Version:
“The cost was \$2.00”
- f. The public version shall contain no text beneath a redaction that computer manipulation of the document can reveal.
- g. Paginate any written testimony and mark any exhibit filed under request for confidential handling treatment under the proper numbering convention succeeded by the letter “c”.
 - “Direct-PSC-Smith-1c”
- h. Paginate any prehearing testimony and mark any exhibit filed publicly for which another version is filed under request for confidential handling treatment the proper numbering convention succeeded by the letter “p”.
 - “Direct-PSC-Smith-1p”
- i. Paginate any replacement page and mark any replacement exhibit with the same page or exhibit number as the original version, except the letter “r” shall immediately succeed the number.
 - “Direct-PSC-Smith-1r”
 - “Direct-PSC-Smith-1cr”
 - “Direct-PSC Smith-1pr”
- j. Refer to any existing prehearing testimony or marked exhibit by using the assigned page or exhibit number.
 - “As mentioned in Direct-PSC-Smith-15”
 - “I prepared Ex.-PSC-Smith-1”

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- k. Except for the existing testimony or a marked exhibit in this docket, include in any reference to a document already posted on ERF, the ERF identifier in the following format “PSC REF#:_____”.
- “As demonstrated in the Applicant’s March 2001 report (PSC REF#: 123456)”

2. Paper copies

- a. Organize the paper submissions required by Prehearing Conference Memorandum § IV. A.6., according to the following conventions:
 - i. Use 8.5” x 11” paper.
 - ii. Use 5-tab sized divider tabs.
 - iii. Punch each page to fit a standard three-ring binder.
 - iv. Include no binder.
- b. Divider tabs that correspond to prehearing testimony shall identify, in typeface, the following:
 - “[round of testimony]-[party]-[witness]”
 - “Direct–PSC–Smith”
- c. Divider tabs that correspond to exhibits, shall identify, in typeface, the following:
 - “Ex.-[party]-[witness]-[exhibit #]”
 - “Ex.–PSC–Smith-1”
- d. Every paper copy shall exactly duplicate its corresponding ERF filing, including any color rendering and, except for confidential versions, the PSC REF#.

3. Briefs

- a. For any filed motion, petition, brief, or request, and any response and reply thereto:
 - i. Use 12 point double-spaced type and one-inch margins.
 - ii. Shade (use no color highlighting) any specific text filed under request for confidential handling treatment as follows:
 - Public Version: “The cost was [REDACTED]”
 - Confidential Version: “The cost was \$2.00....”
 - iii. The public version shall contain no text beneath a redaction that computer manipulation of the document can reveal.
 - iv. Cite to the record all noted evidence and assertions of fact.
 - v. Cite to no evidence or assertion of fact outside the record.
 - vi. Limit the number of pages as follows:
 - 1. Initial brief - 30 pages.
 - 2. Reply brief - 15 pages.
 - 3. Non-party brief - 15 pages.
 - 4. Request for rehearing or reopening and response to request - 15 pages.

E. Hearing Procedure

- 1. Before the call of witnesses, the Administrative Law Judge shall:
 - a. Hear any corrections to the Pre-Hearing Witness and Exhibit List.

- b. Hear any remaining corrections to the prehearing testimony and exhibits.
 - c. Hear any objection to the last round of prehearing testimony and exhibits.
 - d. Hear oral arguments in lieu of briefs at the beginning of the first day of the party hearing session with respect to any pending motion for which the deadline to file briefs would not expire prior to or on that day.
 - e. Receive into the record all items on the list previously issued Pre-Hearing Witness and Exhibit List, subject to any verification by the witness, pending or allowable objections, and corrections to the list.
- 2. The sponsor of any prehearing testimony or exhibit not received into the record may make such filings into an offer of proof. The sponsor of any oral testimony not received into the record may make a brief oral offer of proof. *See* Prehearing Conference Memorandum § IV. F. 3.
- 3. The order of appearances and cross-examination by parties shall follow the order of parties as provided in the list above. Commission staff shall follow all parties. Each party and Commission staff may arrange the order of its witnesses.
- 4. A rebuttable presumption of good cause under Wis. Stat. § 807.13 exists to allow witnesses to appear by telephone.
- 5. Prior to cross-examination, any witness may offer brief oral testimony that responds only to the last round of prehearing testimony or any subsequent testimony of another witness received at the hearing. Parties and Commission staff shall use best efforts in this matter to avoid undue surprise or prejudice.
- 6. Limit cross-examination of a witness by the length and scope required to reasonably investigate matters with respect to the testimony of that witness. To investigate beyond these parameters requires the party to have followed the applicable prehearing process for compelling the witness to appear at hearing for direct examination.
- 7. Provide an adequate number of copies of any document referred to during the hearing not previously filed.
- 8. The Commission intends to webcast all hearings held in Madison. Therefore, the Commission will make no phone lines available to monitor a hearing.

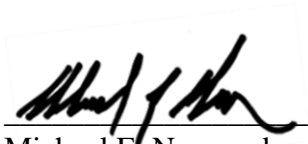
F. Post-Hearing Procedure

- 1. The record closes upon the issuance of the Post Hearing Witness and Exhibit List subject to a request for leave to present additional evidence or take official notice.
- 2. If before the Commission takes action to review the record a request is filed for leave to present additional evidence or take official notice, the Administrative Law Judge may grant the request upon reasonable terms if the additional evidence or noticed fact is material and good cause prevented its presentation at hearing. However, such request does not automatically stay any Commission open meeting discussion with respect to the existing record, or the issuance of a final decision by the Commission. Either action effects a denial of the request unless otherwise indicated by the Commission.
- 3. The record on review under Wis. Stat. § 227.55 shall contain any offer of proof. However, no offer of proof shall enter the evidentiary record unless the Commission

or a court overturns the ruling to exclude the evidence and provides an opportunity for cross-examination or the offer of countervailing evidence.

G. ALJ Orders

1. Unless made at hearing, the Administrative Law Judge shall act only on a request officially filed.
2. Written orders of the Administrative Law Judge shall be filed. Any person may receive notice by email of such filing via ERF subscription.
3. In computing any period of time that follows the issuance of an order of the Administrative Law Judge, the date of the ERF subscription notice is the date of mailing. *See* Wis. Admin. Code § PSC 2.05(2). This applies regardless of any dated signature or ERF filing date stamp.
4. Any request that contains a representation or certification of the consent of the parties and Commission staff shall be granted without order unless otherwise ordered within 3 days of filing.
5. Any request to which a response is authorized, but no timely response is filed, shall be granted without order, unless otherwise ordered within 3 days after the deadline to respond.
6. The Administrative Law Judge may waive or modify the application of this order in particular circumstances for good cause.



Michael E. Newmark
Administrative Law Judge

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